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*Marcelo Bucheli*

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## Negotiating under the Monroe Doctrine: Weetman Pearson and the Origins of U.S. Control of Colombian Oil

Before World War I, most foreign investment in Latin America came from Britain. By World War II, however, the United States had become the main and unchallenged foreign investor in the region. This analysis of the negotiations that took place between the British firm (Pearson and Son) and the Colombian government over oil contracts reveals the reasons for the shift in influence. The company's lack of awareness that Britain had been overtaken by the United States as the hegemonic power in the hemisphere eventually caused the negotiations to collapse. While talks were proceeding, the company failed to consider how much influence the United States had on Colombian internal politics, and it overlooked the history of U.S.–Colombia relations. As a result, Pearson never received oil concessions in Colombia; instead, they were granted to American companies, consolidating U.S. power in the region.

**O**n November 27, 1913, Weetman Pearson, First Viscount Cowdray, announced to the British press that he was withdrawing his engineering and oil firm, Pearson and Son, from negotiations over oil concessions with the Colombian government. For several months, Pearson and Son (through the efforts of its lead negotiator, Lord Alexander Murray of Elibank) had attempted to attain an oil concession from the Colombian government, with no success. Lord Cowdray told the press that his firm's failure to gain the rights to the oil was the result of a series of conspiracies conceived by the U.S. government, with the aid of the

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press, to block a British firm from operating in a country that the Americans considered “theirs,” under the terms of the Monroe Doctrine. British investors and the British press were outraged by the U.S. intervention and by what they considered discrimination against their nation’s interests in favor of the powerful Standard Oil Company of New Jersey.<sup>1</sup> The U.S. government promptly denied Cowdray’s accusation, and some British journalists remarked that the company’s surrender of the Colombian oil concession was the “most important incident in Anglo-American politics [since] 1895.”<sup>2</sup>

Pearson and Son’s withdrawal from Colombia in 1913 is a fascinating case that shows how a third nation’s interests and domestic politics can influence negotiations between a multinational corporation and the government of an underdeveloped country. I argue that the negotiations collapsed because of three factors: the company’s inadequate understanding of Colombia’s historical relations with the United States; its underestimation of the Americans’ resolve to keep Pearson out of “U.S.” territory; and a shortsighted British policy of protecting national investments abroad, which ultimately proved detrimental to Pearson’s interests.

Scholars studying international business negotiations have argued that multinationals’ bargaining power can be constrained by their competitors and by governments other than the host governments, while the bargaining power of host countries is determined and/or limited by their voters, the power of foreign nations, and local pressure groups.<sup>3</sup> The international business scholar Louis Wells adds that some common mistakes committed by multinationals engaged in negotiations stem from both arrogance and ignorance of local history and politics.<sup>4</sup> In writing about Pearson’s attempted venture in Colombia, I will show not only that the role of a third government (the United States) was crucial, but also that the multinational’s negotiators’ ignorance of the third party’s motives was critical to the outcome, as were the relations between the company’s home country (Britain) and the United States. While the company and the host government did reach a mutually beneficial agreement, the interests of the United States and its historical relations with Colombia predominated, and as a result the agreement collapsed. Members of the Pearson team managed to engage the local pressure

<sup>1</sup>“Lord Cowdray’s Oil Interests,” *London Times*, 28 Nov. 1913, p. 8; “Cowdray Gives Up Colombian Grant,” *New York Times*, 27 Nov. 1913, p. 1.

<sup>2</sup>“We Barred Oil Deal?” *New York Times*, 29 Nov. 1913, p. 1.

<sup>3</sup>Robert Grosse, “The Bargaining View of Government-Business Relations,” in *International Business and Government Relations in the Twenty-First Century*, ed. Robert Grosse (Cambridge, 2005), 277–82.

<sup>4</sup>Louis Wells, “Negotiating with Third-World Governments,” *Harvard Business Review* 55 (Jan. 1977): 72–80.

groups that constrained the government's power, but they underestimated the strength of the historical relations between the United States and Colombia. For this reason, British negotiators interpreted Colombian sensitivities surrounding national sovereignty as simple weakness, and thus they never adequately engaged with the United States. Finally, Great Britain, Pearson's home country, undermined Pearson's British advantage during a period of strong anti-Americanism in Colombia by arrogantly defending some minor British interests in Colombia, thereby generating fears in a country that had recently had to cede the territory of Panama to the United States.

Most studies of Pearson's foreign operations focus on its ventures in Mexico, only briefly mentioning its failure to sign a contract in Colombia as a result of the U.S. defense of the Monroe Doctrine.<sup>5</sup> Although partly true, these studies do not mention the role of the Panama negotiations and the internal dynamics of Colombian domestic politics in determining the outcome of Pearson's maneuvers. Peter Calvert has done the only study that analyzes the Colombian negotiations in detail; however, he relies on sources drawn solely from the U.S. Department of State and ignores Colombian internal politics.<sup>6</sup> By looking at Pearson's internal correspondence regarding the Colombia negotiations, I will analyze the company's lack of success in the context of the intrigues that arose from internal politics and from the negotiations between Colombia and the United States over Panama.

### British and American Capital Expansion in Latin America

The negotiations between Pearson and the Colombian government can only be understood in the context of the economic and political expansion of the United States and Great Britain. After the Spanish-American War in 1898, the United States started to enlarge its influence in the Caribbean Basin through a strategy that included support of the separatist movement in the Colombian province of Panama in 1903. "I took Panama," said former President Theodore Roosevelt some years later, referring to the events that led to the creation of Panama as an independent nation and subsequently gave the United States rights to the Panama Canal.<sup>7</sup> Intervention in Panama was just one of the several

<sup>5</sup> Desmond Young, *Member for Mexico: A Biography of Weetman Pearson, First Viscount Cowdray* (London, 1966), 184–85; John Spender, *Weetman Pearson: First Viscount Cowdray, 1865–1927* (London, 1930), 209–10; Geoffrey Jones, *The State and the Emergence of the British Oil Industry* (London, 1981), 73–74.

<sup>6</sup> Peter Calvert, "The Murray Contract: An Episode in International Finance and Diplomacy," *Pacific Historical Review* 35 (May 1966): 203–24.

<sup>7</sup> Nathan Miller, *Theodore Roosevelt: A Life* (New York, 1992), 399.

events that marked the creation of an informal American empire. American political expansionism enabled many U.S. companies to become comfortable with increasing their operations in the area, which they treated as a “natural extension” of the United States.<sup>8</sup>

The United States entered the “imperial race” relatively late. Between 1870 and 1914, Great Britain created a huge political and economic empire. During that period, British investments abroad increased from \$3.7 billion to \$20 billion, spreading beyond the Empire’s borders and providing 45 percent of the world’s foreign investment.<sup>9</sup> Although Latin America received 48 percent of all the British investment in “peripheral” regions, Colombia was not the destination of most of these investments. By late 1913, Colombia was eleventh in Latin America in terms of British investments, and, before 1919, the only relevant foreign capital in Colombia was in the banana-export sector.<sup>10</sup>

### Colombia after the Loss of Panama

The loss of Panama strongly determined the subsequent direction of Colombia’s politics and shaped its national identity. The American takeover is still remembered in Colombia as a humiliating event, one in which the United States “stole” national territory.<sup>11</sup> The loss of Panama was the culmination of a series of hardships that started with Colombia’s bloody and destructive civil war, the War of the Thousand Days (1899–1902). In this conflict, proponents of free trade, federalists, and secular Liberals rebelled against, and were defeated by, the protectionist, centralist, and pro-Church Conservative government. During the war, several Panamanian leaders considered the possibility of seceding from Colombia, and they sought American support. In January 1903, Colombia and the United States signed the Herrán-Hay treaty, which gave the United States the right to build a canal in Colombian territory

<sup>8</sup> Mira Wilkins, *The Emergence of Multinational Enterprise* (Cambridge, Mass., 1970), 149–72.

<sup>9</sup> A. G. Kenwood and A. L. Lougheed, *The Growth of the International Economy, 1820–2000* (London, 1999), 30; Mira Wilkins, “European and North American Multinationals, 1870–1914: Comparisons and Contrasts,” in *The End of Insularity*, ed. R. P. T. Davenport-Hines and Geoffrey Jones (London, 1988), 13–14; Geoffrey Jones, *The Evolution of International Business* (London, 1996), 30.

<sup>10</sup> Salomón Kalmanovitz, *Economía y Nación* (Bogotá, 1994), 251–52; Marcelo Bucheli, *Bananas and Business: The United Fruit Company in Colombia, 1899–2000* (New York, 2005), 86–92; J. Fred Rippy, *British Investments in Latin America, 1822–1949: A Case Study in the Operations of Private Enterprise in Retarded Regions* (Minneapolis, 1959), 68; Alan Taylor, “Foreign Capital Flows,” in *The Cambridge Economic History of Latin America*, vol. 2, ed. Victor Bulmer-Thomas, John Coatsworth, and Roberto Cortés-Conde (Cambridge, U.K., 2006), 73.

<sup>11</sup> Kalmanovitz, *Economía y Nación*, 290.

in exchange for ten million dollars. The treaty was ratified by the U.S. Congress in March but rejected by Colombian legislators in August.<sup>12</sup> After their vote against the plan, the international law expert John Moore produced a document, in which he wrote, "The U.S. now holds out to the world a certain prospect of a canal. May Colombia be permitted to stand in the way?" The document was sent to President Roosevelt, who responded, "I do not think that the Bogotá lot of Jackrabbits should be allowed permanently to bar one of the future highways of civilization."<sup>13</sup> Two months later, Roosevelt sent warships to the Pacific and Atlantic coasts of Panama, and, in November, American forces landed to support the separatist junta.<sup>14</sup>

In 1904, when the Conservative general Rafael Reyes was elected president of Colombia, he had the difficult task of restoring a destroyed, impoverished, and humiliated country. Reyes's main political goal was to create the conditions for avoiding civil wars in the future. He believed this aim would only be achieved by including Liberals in the government, attracting foreign capital, and re-establishing normal relations with the United States.

Reyes's impatience to achieve his objectives caused him to rule in an increasingly authoritarian way.<sup>15</sup> Those who opposed him disagreed not only with his dictatorial style but also with his approach to the United States. With the scar inflicted by the Panamanian affair still inflamed, attracting U.S. investments and formally accepting the separation of Panama was, for many, equivalent to treason. In 1909, pushing for a settlement, Reyes signed the Cortes-Root treaty with the United States, whereby Colombia recognized the independence of Panama in exchange for \$2.5 million. This treaty caused an uproar across the country and was rejected by the Colombian Congress. Opposition to the treaty was so strong that Reyes was forced to resign, and he departed to live in exile in France.<sup>16</sup>

The group that led Reyes's overthrow was the Unión Republicana (or Republicans), composed mostly of urban merchants and industrialists who disliked Reyes's authoritarianism. After Reyes's fall, the Republicans achieved a constitutional reform that replaced indirect elections with direct ones, limited the president's powers, eased the restrictions on participation in presidential elections, and stripped members of the

<sup>12</sup> Stephen Randall, *Colombia and the United States: Hegemony and Interdependence* (Athens, Ga., 1992), 83.

<sup>13</sup> *Ibid.*, 85.

<sup>14</sup> *Ibid.*, 86.

<sup>15</sup> Jorge Orlando Melo, "De Carlos E. Restrepo a Marco Fidel Suarez: Republicanismo y gobiernos conservadores," in *Nueva Historia de Colombia*, vol. 1, ed. Alvaro Tirado Mejía (Bogotá, 1989), 220.

<sup>16</sup> Randall, *Colombia*, 90.

Church and the Army of voting rights, pushing these two groups into the Conservative opposition.<sup>17</sup>

In 1910, the Constitutional Assembly elected Republican Carlos Restrepo as president. Restrepo inherited a country that was in much better economic and social shape than it had been when Reyes took office in 1904: booming coffee and banana exports had stimulated railway construction and consumption of industrial goods.<sup>18</sup> Colombia, however, was still behind many Latin American countries, as it had one of the lowest per-capita export levels in Latin America and the Caribbean (above only Haiti) and a GDP per capita of \$45 (compared to \$195 in Uruguay, \$188 in Argentina, and \$78 in Mexico).<sup>19</sup> Under these circumstances, the Republican leadership believed that the country was in urgent need of foreign capital.

### Weetman Pearson and the Oil Industry

The trajectory of Samuel Pearson and Son's involvement in Colombia closely paralleled the expansion of British capital around the world, the rise of the oil industry, and Latin American economic development. This building-contractor firm, established in 1844 by Samuel Pearson, experienced its most impressive growth after the founder's grandson, Weetman Pearson, joined it in 1872. Weetman Pearson guided the firm as it became involved in different activities inside Britain. After 1884, he ran the company, and in 1894 he became the sole partner. In 1889, Pearson was awarded contracts for a number of major international operations: one was for the construction of a tunnel under the Hudson River connecting New York and New Jersey; another, signed with Mexican president Porfirio Díaz, was for draining the plateau where Mexico City is located. The latter project resulted in a close and long relationship between Díaz and Pearson.<sup>20</sup> Between 1895 and 1910, Pearson was a Member of Parliament for the Liberal Party, and his influence in Mexican affairs earned him the nickname "Member for Mexico."<sup>21</sup>

<sup>17</sup> Marco Palacios, *Between Legitimacy and Violence: A History of Colombia, 1875–2002* (Durham, N.C., 2006), 63–65.

<sup>18</sup> Jesus Antonio Bejarano, "El despegue cafetero, 1900–1928," in *Historia Económica de Colombia*, ed. José Antonio Ocampo (Bogotá, 1987), 182.

<sup>19</sup> Enrique Cárdenas, José Antonio Ocampo, and Rosemary Thorp, "Introduction," in *An Economic History of Twentieth Century Latin America*, vol. 1, ed. Enrique Cárdenas, José Antonio Ocampo, and Rosemary Thorp (New York, 2000), 26.

<sup>20</sup> Geoffrey Jones, "Pearson, Weetman Dickinson, First Viscount Cowdray (1856–1927)," *Oxford Dictionary of National Biography* (Oxford, 2004).

<sup>21</sup> For the most complete and detailed study of Pearson's operations in Mexico and his close business and political relationship with Díaz, see Priscilla Connolly, *El contratista de don Porfirio* (Mexico, 1997). Also, see Manuel Perló, *El paradigma porfiriano* (Mexico, 1999), 157–217; Young, *Member for Mexico*, 58–139.

Pearson started his oil activities in Mexico in 1901, after he accidentally discovered an oil field while looking for rock material. In 1902, he received from Díaz a generous fifty-year concession that included an exemption from payment of taxes. By 1907, his firm controlled 600,000 acres of land and had leased subsoil rights for over one million acres.<sup>22</sup> By 1909, he had integrated his operations by investing in the marketing, refining, and distribution infrastructure for selling oil in Mexico and Britain. However, his oil fields were not producing much, forcing him to rely on other companies' oil for his refinery and distribution network.<sup>23</sup> Simultaneously, he faced an aggressive price war in Mexico with Waters-Pierce, a firm partially owned by Standard Oil of New Jersey, which had monopolized the Mexican kerosene market for over a decade.<sup>24</sup> After fifteen months of this rivalry, Pearson controlled 40 percent of Mexico's international oil trade.<sup>25</sup>

In 1910, Pearson created a Mexican company for his operations, which he called the Mexican Eagle. Represented on its board were influential Mexicans, including Díaz's son.<sup>26</sup> The company's prospects improved radically in 1910, when his engineers discovered the Potrero No. 1 and No. 4 oil fields. The latter field was the largest in the world at the time.<sup>27</sup> By 1914, Mexico was the world's third-largest oil producer, and Pearson controlled 60 percent of the output.<sup>28</sup>

Becoming one of the most important oil firms in the world had political costs. When Pearson discovered the Potrero fields in Mexico, his main ally, octogenarian Porfirio Díaz, was about to be ousted during a political rebellion led by Francisco Madero, a rich, white landowner who wanted to create a more open political system. Madero's presidency, however, was short lived. In February 1913, the *mestizo* (mixed Spanish and Indian) lower-class general Victoriano Huerta overthrew Madero and legitimized his power in the presidential elections of October 1913, when he ran unopposed.<sup>29</sup> Rumors that Pearson had supported the rebellion flew even faster after Great Britain recognized Huerta as Mexico's legitimate president.<sup>30</sup> In the United States, the new Democratic administration of Woodrow Wilson refused to recognize Huerta, whom

<sup>22</sup> Jonathan Brown, *Oil and Revolution in Mexico* (Berkeley, 1993), 47–55.

<sup>23</sup> *Ibid.*, 55–56.

<sup>24</sup> Jones, *The State and the Emergence of the British Oil Industry*, 67.

<sup>25</sup> Brown, *Oil and Revolution*, 63–65.

<sup>26</sup> Jones, *The State and the Emergence of the British Oil Industry*, 69.

<sup>27</sup> Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York, 1991), 231.

<sup>28</sup> Jones, *The State and the Emergence of the British Oil Industry*, 68–69.

<sup>29</sup> John Womack, "The Mexican Revolution," in *Mexico since Independence*, ed. Leslie Bethell (Cambridge, U.K., 1991), 125–200.

<sup>30</sup> Brown, *Oil and Revolution*, 182.



Wilson considered a “usurper” and antidemocratic (in contrast to Madero). This marked the beginning of tense relations between the firm and the Wilson administration.<sup>31</sup>

### Pearson’s First Approaches to Colombia

Early attempts to exploit Colombia’s known oil resources by local entrepreneurs failed due to insufficient capital, leaving the door open to foreign investors.<sup>32</sup> From the very beginning, Lord Cowdray did not rely on the same approach in Colombia that he had used in Mexico. While he had negotiated personally in Mexico, where he befriended Porfirio Díaz, he sent a team to Colombia. The oil business was a spin-off from his construction contracts in Mexico and elsewhere. However, in Colombia, Pearson first launched a search for oil, before using its reputation as a construction firm to convince the government that it could build the infrastructure, such as railways, that the country badly needed.<sup>33</sup>

The head of the Pearson negotiation team was Lord Alexander Murray of Elibank. With his long experience in political life, Murray became one of the most valuable members of the company. At forty-two, he had worked for three years in the Colonial Office and had served as a Liberal member of the British Parliament from 1900 until 1912.<sup>34</sup>

Murray chose Martin Ribon as his partner for the Colombian mission. Ribon had previously worked for Waters-Pierce, knew Spanish, and was working at the time for the Foreign Office. In early October 1912, Murray instructed Ribon to travel to Colombia without disclosing his affiliation with Pearson (in order to keep the mission secret from the Americans), while making it clear to everyone that he had worked for Waters-Pierce.<sup>35</sup> Murray also contacted Guillermo de Landa, Pearson’s agent in Paris, and instructed him to contact the former Colombian president Rafael Reyes, who was living in exile in France.

The third negotiator was Arthur Veatch, an American geographer who had previously worked for the United States Geological Survey and had been appointed by Roosevelt to study the administration of public

<sup>31</sup> Friedrich Katz, *The Secret War in Mexico* (Chicago, 1981), 156–202; Lorenzo Meyer, *Mexico, Estados Unidos y el conflicto petrolero* (Mexico, 1968), 32–39.

<sup>32</sup> For the early developments of the oil industry in Colombia, see José F. Isaza and Luis Salcedo, *Sucedió en la Costa Atlántica* (Bogota, 1991); and María Teresa Ripoll, “La actividad empresarial de Diego Martínez Camargo, 1890–1937,” *Cuadernos de Historia Económica y Empresarial* 2 (Sept. 1999): 30.

<sup>33</sup> Sir Clarendon Hyde to Lord Alexander Murray, 24 Dec. 1912, Pearson (S.) and Son, Ltd. Collection, microfilm of manuscripts in the Science Museum Library, London, U.K., film 24,985, reel 134 (hereafter PC). Unless stated, all the PC files come from reel 133.

<sup>34</sup> John Grigg, “Murray, Alexander William Charles Oliphant, Baron Murray of Elibank (1870–1920),” *Oxford Dictionary of National Biography* (Oxford, 2004).

<sup>35</sup> Murray to Martin Ribon, London, 3 Oct. 1912, PC.

lands in Australia. Upon returning to the United States, Veatch organized the Land Classification Board of the U.S. Geological Survey.<sup>36</sup>

The first influential Colombian whom the firm approached was Reyes. On October 24, 1912, Landa had the initial meeting with the former president in Paris.<sup>37</sup> During this talk, Reyes argued that the political climate in Colombia had improved since the passage of legislation establishing that the owner of surface land was also the owner of its subsoil. Moreover, he mentioned the continuing expression of strong anti-American feeling in Colombia as a positive factor for Pearson.<sup>38</sup> Reyes was certainly not exaggerating when he made this point. In both 1911 and 1912, the U.S. ambassadors in Bogotá reported the prevalence of strong anti-American feelings.<sup>39</sup>

Even though Cowdray sought Reyes's influence in Colombia, he deeply distrusted the former president. For this reason, Cowdray instructed Murray not to offer Reyes shares in any enterprise created by the company in Colombia, but only to promise him cash.<sup>40</sup> He also instructed Landa to ask Reyes not to disclose Ribon's identity to anyone in Colombia.<sup>41</sup> Trusting Reyes, however, was too risky. After Ribon sailed to South America, Murray sent him a cable telling him to make his affiliation with Pearson widely known upon arriving in Bogotá, in case Reyes had already leaked the information to his friends.<sup>42</sup>

### Negotiating in the Andes

When negotiating in Colombia, members of the Pearson team learned that they could not get a contract by dealing solely with the government. They also had to convince other pressure groups, including opposition parties, the press, and the Catholic Church. The team, however, failed to grasp the impact of the loss of Panama on Colombian politics and on the country's relations with the United States. Faced with a government that was strongly opposed to their venture, the negotiating team concentrated on convincing all the different groups of the benefits Pearson's operations would bring to Colombian society.

The country's geographic characteristics explain why the Colombian government was more eager to develop a transportation infrastructure

<sup>36</sup> William B. Heroy, "Obituary: Arthur Clifford Veatch," *Geographical Review* 29 (Apr. 1939): 336–37.

<sup>37</sup> Guillermo de Landa to Cowdray, Paris, 24 Oct. 1912, PC.

<sup>38</sup> Rafael Reyes, memorandum relating to petroleum and asphalt deposits in Columbia (Paris, no date), PC.

<sup>39</sup> Randall, *Colombia*, 93–94; Calvert, "Murray Contract," 205.

<sup>40</sup> Cowdray to Murray, 31 Oct. 1912, PC.

<sup>41</sup> Cowdray to Landa, 31 Oct. 1912, PC.

<sup>42</sup> Murray to Ribon, London, 7 Dec. 1912, PC.

than to build up the oil industry. When Ribon, Murray, and Veatch arrived in Bogotá in early 1913, they landed in one of the most isolated Latin American capital cities. Located at 8,600 feet above sea level, it could take three weeks to travel from the Caribbean port of Barranquilla. The journey required crossing the country's extremely rugged topography before arriving in Bogotá (almost the same amount of time it could take to travel from Barranquilla to Europe). When traveling between the two cities, cargo and passengers had to be loaded and unloaded seven times.<sup>43</sup> In fact, Murray once described Colombia as "a huge unexplored country less accessible than Siberia where there is, at any rate, a trunk line."<sup>44</sup> He called Bogotá "the most inaccessible spot [he had] ever visited with the exception of Matabeland."<sup>45</sup>

Despite its isolation, Bogotá prided itself on having a highly cultured and intellectual upper class. Governed by presidents and ministers who not only wrote poetry and translated Virgil and Homer in their spare time but also engaged in long, searching debates about Spanish grammar, the *Bogotanos*, without irony, nicknamed their city the "Athens of South America." Ribon described the "sophistication of Colombian negotiators," while Veatch wrote, "In Bogotá more attention is devoted to arts and letters," and he described the "charm of the culture of Bogotá and the courtesy of her well-dressed people."<sup>46</sup> The existence of a literate upper class opened the way for the establishment of several local newspapers. Some included on their staffs famously critical journalists, who, emboldened by the press freedom granted them by the post-Reyes government, kept a close eye on political affairs.<sup>47</sup> Radio journalism also flourished in the period after 1910, fostering a wider political debate.<sup>48</sup>

Very early in the negotiations, the Pearson team experienced the effects of dealing with a government that was facing political opposition and press scrutiny. On February 13, 1913, Murray, Veatch, and Ribon visited Simón Araújo, the minister of public works, and made him an offer. They asked for a three-year exploration contract, a ten-year concession to explore half the country, no taxes, and no import and export duties in return for payment of twenty-five cents per ton exported, which

<sup>43</sup> J. Fred Rippy, *The Capitalists and Colombia* (New York, 1931), 32.

<sup>44</sup> Murray to Cowdray, Bogotá, 13 Mar. 1913, PC.

<sup>45</sup> Murray to Cowdray, Bogotá, 4 Mar. 1913, PC. Matabeland is located in present-day southwestern Zimbabwe.

<sup>46</sup> A. C. Veatch, *From Quito to Bogotá* (London, 1917), 231; Ribon to Cowdray, Bogotá, 25 Mar. 1913, PC.

<sup>47</sup> See Antonio Cacia, *Historia del periodismo colombiano* (Bogotá, 1982).

<sup>48</sup> Eduardo Posada-Carbó, "The Limits of Power: Elections under the Conservative Hegemony in Colombia, 1886–1930," *Hispanic American Historical Review* 77 (May 1997): 254.

Murray claimed would mean one million dollars a year for Colombia.<sup>49</sup> Four days later, the minister informed them that the government could not accept his offer because of its low royalties and monopolistic character.<sup>50</sup> Murray countered that, because the oil industry required enormous amounts of initial investment, the company could not afford to have other companies exploring at the same time in adjacent areas. The minister, however, was concerned less about the problems posed by the technical characteristics of the industry than he was about the potential reaction of the press.<sup>51</sup> His fear was confirmed the next day, when Murray visited President Restrepo at the presidential palace. The president supported his minister's argument, adding that since he had already opposed Colombian entrepreneur Diego Martínez's request for an oil concession on the Caribbean coast because of its monopolistic nature, he could not afford to grant such rights to a foreign company.<sup>52</sup>

Aware that the constant opposition of the Conservatives and the Church left Restrepo little space to maneuver, Murray decided to approach these antagonists directly. On February 19, he and Ribon attended a dinner at the French embassy, where they met and talked to the papal ambassador to Colombia, Monsignor Montaglin. After this encounter, Murray realized that it was crucial to bring the Church over to his side, given its close relations with the Conservative Party.<sup>53</sup> On February 26, Ribon paid a visit to Bogotá's Archbishop Bernardo Herrera, in Ribon's words "the most powerful and influential man in the Conservative Party."<sup>54</sup> A respected intellectual, Archbishop Herrera had led the Colombian Church during the War of the Thousand Days; afterward he was considered the main arbiter within the Conservative Party.<sup>55</sup> During their meeting, Ribon assured Herrera that, by signing a contract with Pearson, the Colombian government would not spend a cent in oil development but would reap the benefits of the royalties. The meeting concluded with Herrera's promise of the Church's support.

The team also approached Reyes's friend and Conservative leader Jorge Holguín. Although they listened to Holguín's business proposals and pretended to be interested, they had no intention of going along with his plans.<sup>56</sup> Around the same time, Murray received a letter from

<sup>49</sup> Memorandum by Murray, "Conference with the Minister of Public Works, Bogotá," 13 Feb. 1913; "Murray's Statement to the Minister of Public Works," Bogotá, 13 Feb. 1913, PC.

<sup>50</sup> Ribon to Murray, Bogotá, 17 Feb. 1913, PC.

<sup>51</sup> Murray to Cowdray, Bogotá, 18 Feb. 1913, PC.

<sup>52</sup> Memorandum by Murray, "Interview with the President," Bogotá, 18 Feb. 1913, PC.

<sup>53</sup> Murray to Cowdray, Bogotá, 19 Feb. 1913, PC.

<sup>54</sup> Ribon to Murray, Bogotá, 26 Feb. 1913, PC.

<sup>55</sup> Ricardo Arias, *El episcopado colombiano: Intransigencia y laicidad, 1850-2000* (Bogotá, 2003), 63-74.

<sup>56</sup> "Memorandum of Conversation between General Jorge Holguín, Murray, and Ribon," Bogotá, 24 Feb. 1913, PC.

Diego Martínez, the oilman who was currently in conflict with the president, offering a deal.<sup>57</sup> Martínez had close connections with the Caribbean politicians who were opposed to President Restrepo, and he was also negotiating with Standard Oil.<sup>58</sup> After learning about the different alliances and rivalries, Murray admitted that Pearson was not going to be able to get the kind of generous concessions it had received in Mexico.<sup>59</sup>

The president's skepticism led Veatch to write a new draft contract with more generous provisions for Colombia. The contract committed the company to make an initial investment of £200,000; in return, the company would be exempted from paying taxes and duties, would be awarded the rights to over 100,000 square kilometers, and would give the government the right to expropriate lands for Pearson's oil exploitation. In the event that the company started drilling, the government would freeze 100,000 square kilometers, thereby making these lands unavailable to other investors.<sup>60</sup> After discussing the draft with their Colombian lawyer, Eduardo Rodríguez Piñeres, the Pearson team added an unprecedented clause, committing the company to refrain voluntarily from requesting any kind of diplomatic aid from the British government.<sup>61</sup> Since companies within this industry were accustomed to using the political power of their home countries to pressure weaker countries, such a clause was an important concession to the host government.

The pledge of high initial investments and the commitment to refrain from requesting British diplomatic protection were still not enough to convince the government that such a contract would not be perceived as a threat to national sovereignty. After the loss of Panama, the amount of land that would be controlled by a foreign company was a crucial issue. When the new draft was presented to Minister Araújo, he argued that 100,000 square kilometers was too large, and he pointed out that Congress and the press would not accept this term.<sup>62</sup> Murray assumed that the minister's position was simply a result of his ignorance about the oil industry. In a letter to Cowdray, Murray made the following report:

<sup>57</sup> Diego Martínez to Murray, Mariquita, Feb. 1913, PC, reel 134.

<sup>58</sup> Isaza and Salcedo, *Sucedió*, 131. A few days later, Ribon declined Martínez's invitation (Ribon to Martínez, Bogotá, 1 Mar. 1913, PC, reel 134).

<sup>59</sup> "Memorandum of Conversation between General Jorge Holguin, Murray, and Mr. Ribon," Bogotá, 24 Feb. 1913, PC.

<sup>60</sup> "Translation by Mr. Ribon of Sr. Uribe Holguin's Draft Contract based on Dr. Veatch's draft of 20th February, 1913," PC.

<sup>61</sup> "Mr. Ribon's translation of the Draft Contract prepared by Sr. Uribe Holguin," Bogotá, 28 Feb. 1913, PC.

<sup>62</sup> "Memorandum between the Minister of Public Works, Dr. Miguel Uribe Holguín, Murray, and Ribon," Bogotá, 3 Mar. 1913, PC.

Throughout our conversation [Araújo] was evidently struggling with a situation which he did not quite understand, and which in reality is not of supreme interest to him, became enthusiastic, his face lighting up with interest when he asked us whether we should construct a six mile [tourism] railway [to the Tequendama Falls]. . . . This little scheme is his hobby, and from the number of arguments he adduced in its favor, appears to far transcend in importance in his mind a scheme such as ours for opening out the country!<sup>63</sup>

Murray, however, was not considering the fact that Colombia had recently lost Panama to a foreign power. Thus, giving the impression that the government was again ceding national territory to foreign interests would have been political suicide.

The Pearson team tried to compensate for the large expanse of territory it was requesting. In early March, the team offered an initial investment of £400,000, instead of the originally proposed £200,000 in exchange for the right to keep the 100,000 square kilometers.<sup>64</sup> They argued that the firm would not be appropriating these lands. Rather, the government would be withdrawing public lands from the market while the company carried out the early stages of exploration, enabling the firm to avoid speculation and threats posed by competitors.<sup>65</sup>

Unable to convince the minister of the benefits of his plan, Murray tried to persuade the opposition that he was not requesting an exorbitant amount of land. At a luncheon prepared in his honor by influential Conservatives, Murray explained why his firm needed such a large area, and he repeated his pitch at a dinner he himself organized for the papal ambassador, the diplomatic corps, high-ranking members of the Catholic Church, top officials of the Army, and leading representatives of the Conservative Party.<sup>66</sup> Despite Murray's efforts, the minister remained firm in his position, forcing Murray finally to cancel negotiations on March 17, 1913.<sup>67</sup>

Murray interpreted the minister's stubborn resistance as a signal that the government was weakened by the existence of political opposition, rather than a consequence of the previous loss of Panama. In his report to Cowdray, Murray wrote:

<sup>63</sup> Murray to Cowdray, Bogotá, 6 Mar. 1913, PC.

<sup>64</sup> "Memorandum of Interview with the Minister of Public Works," by Ribon, Bogotá, 7 Mar. 1913, PC.

<sup>65</sup> Murray to Simón Araújo, 11 Mar. 1913; "Memorandum by Mr. Ribon of Interview with Minister of Public Works," Bogotá, 10 Mar. 1913; "Memorandum from Murray to His Excellency the Minister of Public Works," Bogotá, 10 Mar. 1913; "Memorandum on the Colombian Negotiations," by Arthur Veatch, Bogotá, 12 Mar. 1913; "Memorandum by Mr. Ribon of conference with Dr. Rodríguez Piñeres," Bogotá, 14 Mar. 1913, PC.

<sup>66</sup> Report on luncheon at Hotel Uscategui by Sr. Palacio, Bogotá, 10 Mar. 1913; report on dinner at Hotel Uscategui, 11 Mar. 1913, PC.

<sup>67</sup> "Abstract of Murray's letters from March 6th to March 19th," London, 17 Apr. 1913, PC.

The political difficulties here are forming the most serious obstacles to our progress. The president and the government are very weak and are terrified of Congress and public opinion. We have been doing a good deal of work among the Conservative party, who are all-powerful and will shortly come into office, and I think that we have their good will. Even that, however, may not be sufficient to restrain them from dealing a blow at the government by rejecting our contract in Congress as they did every law proposed by the president and the executive last year.<sup>68</sup>

He later added: "Various parties, with no strong man to guide them, are always ready to be at each other's throats, using their legislative proposals or measures as a pretext for attack. [If we are not] careful, we run the risk of becoming the shuttlecock of contending local politicians."<sup>69</sup> Ribon went even further, lamenting the fact that Colombia was not ruled by a dictator:

I have no doubt that you realize that the sort of concession that we are trying to get does not appeal to any government, and that it is very difficult to obtain it in a country enjoying a real parliamentary system; it is in my mind only easy in countries of a one man government like Mexico under Díaz, Venezuela under Gómez, or Colombia under Reyes. Had we come to this country when Reyes was in power, we should have gotten the question in very short time and in better terms.<sup>70</sup>

The unfolding drama of the negotiations also revealed some of the intrigues of Colombian politics to the Pearson team. On March 17, late at night, journalist Julio Palacio visited Murray and Ribon with a message from the Conservative leadership. Palacio told them that they should resume talks and not worry about Conservative opposition.<sup>71</sup> Reluctantly, the team returned to the table. A few days later, their friend Frank Stapleton (from South African Goldmines) told them that Archbishop Herrera had mentioned to him in private that the Conservatives might sabotage the Pearson negotiations in order to take credit for signing the contract when they took power after the 1914 elections, an item of gossip that Murray did not believe.<sup>72</sup>

The opposition from the press finally convinced the Pearson team to give in to the minister's demands on land size. By early April 1913, just when Murray, Ribon, and Veatch sensed that Araújo was beginning

<sup>68</sup> Murray to Cowdray, 25 Mar. 1913, PC.

<sup>69</sup> "Memorandum by Murray," Bogotá, 4 Apr. 1913, PC.

<sup>70</sup> Ribon to Cowdray, Bogotá, 25 Mar. 1913, PC.

<sup>71</sup> "Memorandum by Ribon," 18 Mar. 1913, PC.

<sup>72</sup> "Memorandum by Dr. Veatch of Interview with Frank Stapleton," Bogotá, 25 Mar. 1913, PC.

to understand their reason for requesting 100,000 square kilometers, a local journalist published an article comparing Lord Cowdray to John D. Rockefeller and accusing the British firm of acting for the British Empire in an attempt to dominate Colombia.<sup>73</sup> This article worried the minister, who then insisted on reducing the promised allotment of land to ten thousand kilometers. The minister also added a new demand: he did not want the royalties to be paid in a fixed amount of cash but, rather, as a percentage of the value of the oil exported. He insisted on this point, anticipating possible increases in oil prices. His abrupt about-face made Murray aware of the power of the press, but he interpreted the government's cautious behavior as a "weakness of the administration and the timidity of ministers." He was not surprised that the minister, "an honest and courteous man, but narrow and pedantic, like the village school master he is," would be taken in by the article. Left with no choices, Murray accepted Araújo's offer of ten thousand square kilometers.<sup>74</sup> Murray felt that the firm had been forced to back down because the "president and his ministers [were] small people frightened by large ideas . . . [W]e have pigmies to deal with [who are] afraid of their own shadows."<sup>75</sup>

In the draft of the new contract submitted by the Pearson team, the company not only relinquished its ambition of attaining one hundred thousand kilometers but also agreed to pay royalties in percentages, not in fixed amounts. It committed to pay 20 cents per ton exported for the first five years, 7 percent in the sixth year, and then increments of 1 percent in each subsequent year. The contract also gave the company rights over ten thousand square kilometers and committed the government to suspend sales of another ten thousand kilometers of public lands for two months.<sup>76</sup>

On April 23, 1913, Murray felt that his efforts had finally borne fruit when the minister signed the contract, which was then approved by the president and the council of ministers.<sup>77</sup> Afterward, Murray wrote the British ambassador Percy Wyndham that this was the best moment to increase British presence in Colombia.<sup>78</sup> Although the contract still needed approval in a Congress dominated by the opposition,

<sup>73</sup> Ribon to Cowdray, Bogotá, 2 Apr. 1913, PC.

<sup>74</sup> Unless stated, the information in this paragraph comes from Murray to Cowdray, Bogotá, 9 Apr. 1913, PC.

<sup>75</sup> "Memorandum by Murray," Bogotá, 11 Apr. 1913, PC.

<sup>76</sup> "Translation of draft contract prepared and submitted by the Minister of Public Works today," by Ribon, Bogotá, 12 Apr. 1913, PC.

<sup>77</sup> "Contrato entre el Gobierno de Colombia y la Sociedad Pearson and Son," Bogotá, 23 Apr. 1913, PC.

<sup>78</sup> Murray to Wyndham, Bogotá, 23 Apr. 1913, PC.



Ribon believed that the team had made enough powerful friends to assure the contract's approval.<sup>79</sup>

Murray knew that this contract could generate hostility from the American oil companies, which would view the deal as a threat to U.S. interests in the hemisphere. In order to counter any action by the Americans, Murray visited the U.S. ambassador, Leland Harrison, to disclose his plans before leaving for Ecuador. Murray told the ambassador that he was more interested in developing railways than in exploiting oil in Colombia, but that oil was a good way to enter the country.<sup>80</sup> This version, however, contradicted the statements Murray, Ribon, and Cowdray had made to each other earlier that year, when they thought the best way to get oil concessions was by promising railways.<sup>81</sup> Unaware of Murray's initial objectives, the ambassador decided to trust him, and he reported to the U.S. Department of State that the contract did not represent a threat.<sup>82</sup> Murray believed that once the Panama affair was settled between the United States and Colombia, diplomatic and economic relations would normalize, creating great business opportunities for his firm.<sup>83</sup> The events that unfolded after the contract was approved showed that Murray's calculations were wrong.

### The Americans' First Offensive against Pearson

The American oil companies considered the contract between Murray and Colombia a threat to their interests, and they responded accordingly. Once Minister Araújo had signed the contract, Murray left for Ecuador to negotiate other concessions, leaving Ribon in Bogotá. Shortly after he left, he received the first bad news: W. T. S. Doyle from the General Asphalt Company of New York and former employee of the U.S. State Department's Latin American division was traveling to Bogotá to prevent the Colombian Congress from approving the contract.<sup>84</sup> On June 6, Murray received a telegram in Quito from Ribon, which simply said: "Doyle arrived. Reported representing Standard and other American oil interests."<sup>85</sup> The British ambassador also reported Doyle's arrival to the Foreign Office.<sup>86</sup>

<sup>79</sup> Ribon to Cowdray, Mariquita, 3 May 1913, PC.

<sup>80</sup> Calvert, "Murray Contract," 205.

<sup>81</sup> Ribon to Murray, Bogotá, 10 Feb. 1913, PC.

<sup>82</sup> Richard Lael, *Arrogant Diplomacy: U.S. Policy Toward Colombia, 1903–1922* (Wilmington, Del., 1987), 88; Calvert, "Murray Contract," 208.

<sup>83</sup> Murray to Cowdray, Bogotá, 14 Apr. 1913, PC.

<sup>84</sup> Murray to Ribon, Panama, 20 May 1913, PC; Lael, *Arrogant Diplomacy*, 89.

<sup>85</sup> Ribon to Murray, Bogotá, 6 June 1913, PC.

<sup>86</sup> Calvert, "Murray Contract," 215.

Both the Americans and the Pearson team were aware of the influence of the press in Colombian politics, and they prepared themselves to use it. Ribon discussed the American's arrival with Conservative leader Miguel Abadía and businessman Nemesio Camacho, who both warned him to expect attacks from the press organized by Doyle. They advised Ribon not to counterattack in the press or to negotiate with the newspapers, but to be patient.<sup>87</sup> Abadía pointed out that Pearson had a great advantage over Doyle: Pearson was British and Doyle was American. Faced with the strong anti-American feelings in Colombia, Abadía argued, no politician would give preference to a U.S. company over a British one.<sup>88</sup>

The assault by the press started on June 21. A copy of the Pearson contract was leaked to the newspapers and was attacked in the *Revista Nacional de Colombia*. The reporter seemed to be aware of Doyle's presence, and he suspected that Doyle might work for Standard Oil. He advised the government to be wary of both companies, not just of Pearson. The article appeared at the same time that the lawyer Bonifacio Vélez was challenging the Pearson contract in the Supreme Court.<sup>89</sup> A few days later, a positive article on Pearson by Conservative politician and future president José Vicente Concha was published in *El País*.<sup>90</sup>

Despite the press attacks and legal challenges, on June 25 the Supreme Court declared the contract legal. "Won first point versus Doyle," Murray happily reported to Cowdray from Quito.<sup>91</sup> However, Murray knew that this was not going to be the end of the war with Doyle, and he decided to return to Bogotá.<sup>92</sup> Cowdray advised Murray to stay away from the press in Bogotá, and he began planning ways to attack Doyle's company in Venezuela.<sup>93</sup> By July, following meetings with the president and the minister of foreign affairs, Doyle was promising to outdo Pearson by importing more engineers to Colombia than Pearson had agreed to bring in for its oil project.<sup>94</sup>

Pearson won its second point against Doyle when the contract passed its first reading in Congress on July 30, but the American offensive continued. Although more hearings would follow, approval of the contract was the first hurdle to be overcome in Congress. Just one day

<sup>87</sup> Ribon to Murray, 12 June 1913; Ribon to Cowdray, 12 June 1913, PC.

<sup>88</sup> "Memorandum by Mr. Ribon, Interview with Dr. Abadía Miguel Mendez, 21 June 1913," PC.

<sup>89</sup> "Memorandum by Mr. Ribon, Translation from 'Revista Nacional de Colombia' by Dr. Mendoza," Bogotá, 21 June 1913, PC.

<sup>90</sup> Ribon to Cowdray, 10 July 1913, PC.

<sup>91</sup> Ribon to Murray, Bogotá, 25 June 1913; Murray to Cowdray, Quito, 25 June 1913, PC.

<sup>92</sup> Murray to Cowdray, Quito, 26 June 1913, PC.

<sup>93</sup> Cowdray to Murray, London, 27 June 1913, PC.

<sup>94</sup> Ribon to Cowdray, 10 July 1913, PC.

later, however, Ribon was informed that another American, Chester Thompson, was in Bogotá trying to sabotage the Pearson contract. Earlier, in New York, Thompson had met Rafael Reyes's son, who suggested that Thompson create a Canadian company (to avoid anti-American feelings) and submit an oil contract to the Colombian government. Thompson was telling people in Bogotá that he had a better offer than Pearson's while buying lands on the Caribbean coast.<sup>95</sup>

Ribon decided that direct talks were the best way to deal with the Americans' attempt at sabotage. On August 9, he met with Thompson, who candidly acknowledged that he had campaigned against Pearson, but that he had recently changed his mind after he uncovered a special law regarding pipelines in Colombia that would benefit his own business and avoid the need to undermine Pearson. Thompson also showed Ribon a letter, supposedly written by an American spy in Paris, stating that Pearson's real goal was to build an interoceanic canal in Colombia that would enable the British government to compete against the Panama Canal. Thompson advised Ribon to be open with the Colombian government about his connections with the British government before Doyle exploited them in the press. Ribon denied having a partnership with the British government. Later, he discussed this conversation with the foreign minister, Francisco Urrutia, who thought the letter was part of a U.S. conspiracy against the Pearson contract.<sup>96</sup> Urrutia's words proved prophetic: soon afterward, the American government openly opposed the contract.

### Using Diplomatic Pressure

Even before the construction of the Panama Canal, several engineers believed that a canal could be built in Colombia along the Atrato River. The Atrato is a navigable river that connects the Caribbean coast with the interior and is a relatively short distance from the Pacific Ocean, running parallel to it for two hundred and fifty miles. After the loss of Panama, many Colombians worked on plans to turn the Atrato into a canal that would compete with Panama's.

The Colombian government never seriously considered building a canal along the Atrato, but the U.S. companies used the remote possibility of its construction to attack the Pearson contract. After meeting with Ribon, Thompson visited U.S. Ambassador Harrison and told him that the Pearson contract was a British plot to build the alternative canal.<sup>97</sup>

<sup>95</sup> Ribon to Murray, 1 Aug. 1913, PC; Calvert, "Murray Contract," 209.

<sup>96</sup> Ribon to Murray, Bogotá, 9 Aug. 1913, PC.

<sup>97</sup> Calvert, "Murray Contract," 208.

The ambassador was skeptical and did not report this rumor to Washington. Anticipating such a possibility, Thompson sent a letter to President Wilson with the same information and departed from the country shortly afterward.<sup>98</sup> Later, in mid-September, Doyle left Bogotá after reaching a truce with Cowdray, who promised not to oppose General Asphalt's interests in Venezuela if Doyle stopped his attacks in Colombia. Murray and Cowdray interpreted Doyle's departure as a triumph. However, before he left, Doyle visited the U.S. ambassador and showed him a line in the Pearson contract that gave the company permission to build "canals" as proof that the British firm was considering building the Atrato Canal.<sup>99</sup>

On September 2, the contract passed the first congressional hearing. The commission appointed to study acknowledged that the contract would give Pearson enormous power, but the commission members felt that the project merited approval because of the jobs that would be created and the boost it would give the economy.<sup>100</sup> However, the strong nationalist opposition expressed by some members of Congress caused Murray to become pessimistic, particularly because the next scheduled hearings were the most important, and it seemed that American and congressional opposition was overwhelming.<sup>101</sup>

The Pearson team knew that the American attacks against them would not end with Doyle's and Thompson's departure. In anticipation of more hostility, and despite the positive outcome of the first congressional hearing, they modified the contract again, giving the government more freedom to bring in other companies. In so doing, they wanted to assure the U.S. government that they were not seeking complete control of Colombia's oil resources.<sup>102</sup>

### Using Panama as a Hostage in the Negotiations

In March 1913, the Democrat Woodrow Wilson became the new president of the United States, generating optimism among Colombian politicians. The Colombian government believed that normalization of diplomatic relations with the United States would be easier to accomplish with the Democrats in office. They considered Wilson's appointment of William Bryan, an outspoken anti-imperialist, as secretary of state a step in the right direction.<sup>103</sup>

<sup>98</sup> *Ibid.*, 210.

<sup>99</sup> Murray to Cowdray, Bogotá, 21 Aug. 1913, PC; Lael, *Arrogant Diplomacy*, 89–90.

<sup>100</sup> "Informe de una Comisión," *Anales de la Cámara de Representantes (Colombia)*, 5 Nov. 1913, 625–27.

<sup>101</sup> Ribon to Cowdray, 2 Sept. 1913, PC.

<sup>102</sup> "Changes to the draft of A.C. Veatch," Bogotá, 16 Sept. 1913, PC.

<sup>103</sup> Randall, *Colombia*, 95.

Wilson's presidency was not as positive a sign for Pearson's ambitions in Colombia. Wilson considered Lord Cowdray to be an ally of Mexico's Huerta, and he highly distrusted Cowdray's activities in Colombia. On September 24, Secretary of State Bryan composed a cable, which he sent to the newly appointed U.S. ambassador in Bogotá (who had replaced Harrison):

You will inform President Restrepo discreetly and verbally that the U.S. Government was not indifferent to the proposed concession to Pearson . . . and that the United States, in principle, does not feel in sympathy with concessions to companies whose close relations to European governments seem to place their activities as much in a political as in a commercial field. . . . In this connection you will further inform the president that the U.S. is most anxious to speedily and satisfactorily arrange all contentious matters between the two governments and would regret to see their settlement delayed by external complications.<sup>104</sup>

Although Bryan changed "European governments" to "monopolies" before sending the cable, the meaning was clear: the Colombian government should understand that accepting the Pearson contract could jeopardize the Panama negotiations. That same day, the U.S. government offered Colombia \$20 million as reparations for Panama.<sup>105</sup>

Things were not going well back in Britain, where Cowdray had to confront the rumors in London that he wanted to build a canal in Colombia.<sup>106</sup> The American press also reported that Pearson was working for the British government and wanted to build a competitor to the Panama Canal.<sup>107</sup> From this moment on, Panama would inevitably be linked to the contract's fate.

### The Negative Effects of British Diplomacy

The negotiations over the Panama Canal, and the opposition of U.S. companies and the government to the Pearson contract, created a delicate diplomatic situation that was eventually damaged by Britain's actions, which hurt rather than helped Pearson. The problems started during Reyes's administration, when a group of Colombian businessmen established the Great Central Northern Railway of Colombia in

<sup>104</sup> Calvert, "Murray Contract," 211.

<sup>105</sup> Lael, *Arrogant Diplomacy*, 98.

<sup>106</sup> "No Darien Invasion: Pearson Concession Will not Violate the Monroe Doctrine," *New York Times*, 24 Sept. 1913, p. 4.

<sup>107</sup> "Suggests Rival to Canal: Colombia Might Cut One with English Money, Says London Paper," *New York Times*, 27 Sept. 1913, p. 1.

London.<sup>108</sup> Although the company did not have British investors, it was formally a British corporation. The company signed a contract with Reyes, which Restrepo declared null because Congress had never approved it. The investors protested this action at the Foreign Office. When Murray and Ribon arrived in Colombia, the British embassy was busy dealing with this affair and with another, even more embarrassing, case.<sup>109</sup> The second incident involved a British citizen, Mr. Hughes, who wounded a Colombian in a fight while drunk. A judge imposed a sentence on Hughes, but the British embassy wanted the Colombian government to repeal it.<sup>110</sup> In the midst of the Pearson negotiations, Ambassador Wyndham even talked directly to President Restrepo, warning him that the British government would not accept Colombian punishment of Hughes.<sup>111</sup>

The disproportionately strong British reactions—protecting a company with no British subjects and interfering with a sentence imposed on a drunkard—led Restrepo to worry about the consequences of signing a contract with a powerful company like Pearson that included members of the British Parliament.<sup>112</sup> Restrepo expressed his concerns to Murray, who sympathized and immediately cabled London, requesting the Foreign Office to “move cautiously” in the railway affair.<sup>113</sup> Ambassador Wyndham refused to change his policy, even though he acknowledged to the foreign affairs secretary, Sir Edward Grey, that his actions did not benefit Pearson. He believed that his role as ambassador was to protect British interests without exception.<sup>114</sup> A few days later, Grey cabled Wyndham, instructing him not to postpone seeking a solution to the railway affair in order to help Murray.<sup>115</sup> Meanwhile, some Colombian senators were demanding that the government retaliate against British intervention by rejecting the Pearson contract.<sup>116</sup>

The Pearson team came up with one solution to the problems generated by the British embassy: on October 22, they put forward a proposal to register as a Colombian company and to strip themselves of any protections they might have been accorded as British citizens.<sup>117</sup>

<sup>108</sup>This was not a publicly held corporation. See “The Great Central Northern Railway of Colombia,” *London Times*, 6 Mar. 1908, 6.

<sup>109</sup>Lael, *Arrogant Diplomacy*, 95.

<sup>110</sup>Carlos E. Restrepo, *Orientación Republicana* (Bogotá, 1972), 166–67.

<sup>111</sup>*Ibid.*, 167–68.

<sup>112</sup>*Ibid.*, 148–49.

<sup>113</sup>Murray to Cowdray, Bogotá, 14 Oct. 1913, PC; Restrepo, *Orientación*, 143–44, 170.

<sup>114</sup>From Percy Wyndham to Sir Edward Grey, Bogotá, Feb. 4, 1914, in *British Documents on Foreign Affairs*, vol. 9, ed. Kenneth Bourne and Cameron Watt (Frederick, Md., 1989), 187.

<sup>115</sup>Calvert, “Murray Contract,” 217.

<sup>116</sup>Murray to Cowdray, Bogotá, 15 Oct. 1913, PC; Calvert, “Murray Contract,” 216.

<sup>117</sup>Murray to Carlos Restrepo, Bogotá, 22 Oct. 1913, PC.

This was an even more aggressive offer than the previous commitment to decline diplomatic support.<sup>118</sup> Then Murray sought new allies: he told General Holguín that he needed his cooperation for a “full discussion” of the contract in Congress, and he informed Diego Martínez that he was willing to discuss business.<sup>119</sup> The negotiations over Panama, however, meant that changing its corporate citizenship was not enough for Pearson to get the contract.

### Wilson’s Hemispheric Policy and Colombian Oil Politics

U.S. opposition to Pearson’s interests in Colombia intensified after President Wilson declared his opposition to the concession system in the Americas on October 27, 1913. Wilson said he would oppose any attempt by foreign companies to control the economies and politics of poor countries eager to garner capital for modernization.<sup>120</sup> After this declaration, American opposition to Pearson’s operations in Colombia became overwhelming.

Between October and November 1913, American attacks on the Pearson contract in Colombia came from all fronts. On October 31, Archbishop Herrera’s brother told Murray, “in strict confidence,” of the U.S. ambassador’s request that Pearson be excluded from the Colombian oil industry. On the same date, Ribon heard from an “unquestionable source” that Washington had told the Colombian government that the Pearson contract would “hurt the [Panama] negotiations.”<sup>121</sup> That day, Murray reported that the situation was continuing to worsen, due to American opposition, and he pointed out that the British press was not helping by issuing statements that Pearson was fighting for Britain as a nation.<sup>122</sup> The following day in London, Lord Cowdray called a press conference, in which he denied any connection with the Huerta dictatorship.<sup>123</sup> On the same day, both Wyndham and Murray received new reports that the United States had told the Colombian government not to give Pearson the contract.<sup>124</sup> Only then, in London, did Foreign Secretary Grey find out about Murray’s voluntary renunciation of the right to be defended by the British government. Grey’s unwillingness to confront the United States on Pearson’s behalf was strengthened by his

<sup>118</sup> Murray to Restrepo, Bogotá, 24 Oct. 1913, PC.

<sup>119</sup> Murray to Jorge Holguín, Bogotá, 30 Oct. 1913; Murray to Martínez, Bogotá, 31 Oct. 1913, PC.

<sup>120</sup> Woodrow Wilson, “Address before the Southern Commercial Congress in Mobile, Alabama, 27 Oct. 1913,” in *The American Presidency Project* (Santa Barbara, 2007).

<sup>121</sup> “Précis of American opposition,” Feb. 1914, PC, reel 134.

<sup>122</sup> Murray to Cowdray, 30 Oct. 1913, PC.

<sup>123</sup> “Précis of American opposition,” Feb. 1914, PC, reel 134.

<sup>124</sup> Calvert, “Murray Contract,” 217; “Précis of American opposition,” Feb. 1914, PC, reel 134.

disapproval of the firm's establishment of a precedent with this clause.<sup>125</sup> In the meantime, Secretary of State Bryan sent telegrams to all the American embassies, instructing them to take every measure they could against Huerta, while Cowdray came across increasing numbers of articles in the American press claiming that he and his company wanted to control Colombia.<sup>126</sup> In the following months, the U.S. Department of State instructed the embassy in Colombia to "use its strongest efforts in a discreet and unofficial manner to secure the failure of the [Pearson] contract."<sup>127</sup>

Faced with the American fusillade, Murray implored Restrepo to use his influence to rush an approval of the contract, but Restrepo did not do so. Years later, Restrepo reported that, once he had realized the strength of the U.S. opposition to the Pearson contract, he decided to use Murray's presence in the country as a bargaining chip in his efforts to pressure the United States to open negotiations on Panama and to pay reparations to Colombia.<sup>128</sup>

During mid-November, the Colombian opposition continued citing the railway affair as evidence of what would happen if Pearson operated in Colombia. This tactic led Murray to write desperate telegrams to London, pleading with the company's headquarters to ask the Foreign Office not to intervene on Pearson's behalf.<sup>129</sup> The Foreign Office told Wyndham that no law could be permitted to strip a British citizen of protection, and it also informed President Wilson that his administration could count on Britain for support in its fight against Huerta.<sup>130</sup>

Since Washington viewed Pearson's alleged alliance with Huerta as evidence of its desire for power, the Colombian senate decided to request an investigation into Pearson's Mexican operations. They appointed Lisandro Maldonado, an official in the Colombian embassy in Mexico, to write the report. Shortly after he was assigned this task, Maldonado approached the company and demanded to be allowed to participate in Pearson's business, in exchange for writing a positive account. The company decided not to give in to Maldonado's blackmail, fearing that doing so would backfire.<sup>131</sup>

On November 23, 1913, convinced that the United States would never allow the contract to be signed, Murray announced that he was walking away from the negotiations: "I today withdrew contract as not

<sup>125</sup> Calvert, "Murray Contract," 218.

<sup>126</sup> "Précis of American opposition," Feb. 1914; Lael, *Arrogant Diplomacy*, 93.

<sup>127</sup> Lael, *Arrogant Diplomacy*, 94.

<sup>128</sup> Restrepo, *Orientación*, 162.

<sup>129</sup> Murray to Cowdray, Bogotá, 12 Nov. 1913; Cowdray to Murray, London, 14 Nov. 1913, PC.

<sup>130</sup> Lael, *Arrogant Diplomacy*, 94; Calvert, "Murray Contract," 218.

<sup>131</sup> John Body to Murray, Mexico, 29 Dec. 1913, PC.



in accord with dignity of house that we should be used as pawn in Panama negotiations," he reported to Cowdray.<sup>132</sup> Murray decided to leave Colombia immediately, and he sent a note to the U.S. ambassador, in which he blamed the American government for the final outcome of the negotiations.<sup>133</sup>

### World War I, Panama, and the Arrival of the American Oil Companies

The Pearson negotiating team's failure consolidated American control over Colombian oil resources. Moreover, once World War I intervened, Colombia could not rush a settlement of the Panama issue. Panama, however, played an important part in the development of the Colombian oil sector. After the war, the Colombian government passed nationalistic oil legislation, declaring the subsoil the property of the state for both public and private lands. The American oil companies considered the new law a potential threat, and Washington postponed the ratification of a Panama settlement treaty until Colombia changed this law.<sup>134</sup> A few months later, the Colombian Supreme Court declared the law unconstitutional, opening the doors to Standard Oil. Standard needed to be assured of good relations between Colombia and the United States in order to do business in the South American country, so the company lobbied the Republican senators who opposed such a deal to set aside their doubts and approve payment of reparations to Colombia.<sup>135</sup>

In 1921, the U.S. Congress approved a treaty in which Colombia recognized Panama's independence, and the United States paid twenty-five million dollars in reparations. By that time, Ambassador Wyndham reported, British companies had little or no hope of entering the Colombian oil industry: "The consideration of British proposals for operations on a large scale has been indefinitely postponed."<sup>136</sup>

### Conclusion

The collapse of the negotiations between Pearson and Son and the Colombian government had important long-term effects, assuring U.S.

<sup>132</sup> "Précis of American opposition," Feb. 1914, PC, reel 134.

<sup>133</sup> Calvert, "Murray Contract," 221.

<sup>134</sup> Mira Wilkins, "Multinational Oil Companies in South America in the 1920s: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, and Peru," *Business History Review* 48 (Autumn 1974): 430.

<sup>135</sup> Taylor Parks, *Colombia and the United States, 1765-1934* (Durham, N.C., 1935), 452-56.

<sup>136</sup> "Colombia: Annual Report, 1920," *British Documents*, 213.

control of Colombian oil resources for several decades. Even after the creation of the Colombian national state oil company (Ecopetrol) in 1951, American corporations remained as the main foreign corporations operating in that country. British capital arrived only in 1986, when British Petroleum signed a production contract with the Colombian government. Pearson and Son's negotiations in Colombia collapsed because the firm was unaware of the host country's historical international relations and because it miscalculated regional power dynamics. The negotiators never understood why Colombians were so sensitive about national sovereignty. In their discussions about the amount of land that would be set aside for exploration, the team arrogantly and shortsightedly interpreted the Colombians' reluctance to concede more territory as timidity. The negotiating team also underestimated the magnitude of the impact of Panama's loss on both Colombian domestic politics and U.S.–Colombian relations. The war between Pearson and the Wilson administration had just begun, and while most studies identify the Mexican oilfields as the main battle site, Colombia was soon to become another theater. Nor was the British company fully aware of the degree of American resolve to keep it from gaining a foothold in either Colombia or Mexico.

The Pearson case also highlights the shifting roles of two empires: one was consolidating its position in the hemisphere (the United States), and the other was reluctantly having to accept a secondary role in the region (Great Britain). While the United States put considerable effort into assuring the collapse of the Pearson contract, the British did not do much to defend the company's interests. Wider political considerations were at stake, and Britain was not willing to risk them, even for an important British corporation.

What choices did the host country have? Colombian negotiators were able to win important concessions from Pearson, such as a reduction in the amount of land it would cede for exploration, payment of royalties based on oil price, and higher initial investments. Had the Americans not intervened, the Colombian government would have agreed to terms that were less favorable than terms contained in the contract it eventually signed. During the whole process, however, Colombia was in a weak position. It was a poor country with scarce capital that was recovering from the loss of Panama to an overweening superpower. Colombians were not able to force the British and the Americans to compete with each other in a way that would benefit the country, nor could they withstand American threats. The sad truth is that the payment of reparations for Panama was a triumph not of Colombian diplomacy but of the lobbying power of U.S. oil corporations.